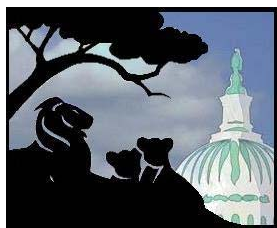


–EDITED TRANSCRIPT–



HUDSON INSTITUTE'S
BRADLEY CENTER
FOR PHILANTHROPY AND CIVIC RENEWAL
presents

Philanthropy at Its Best? A Discussion of NCRP's New Benchmarks for Foundations

Thursday, May 28, 2009 • 12:00 to 2:00 p.m.

Hudson Institute • Betsy and Walter Stern Conference Center • 1015 15th Street, NW • Suite 600

The National Committee for Responsive Philanthropy provoked a lively and healthy debate in philanthropic circles with the publication of *Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact*. Among its more controversial recommendations were suggestions that foundations should aim for a 50% threshold for giving to marginalized communities and 25% for advocacy efforts. The Bradley Center's May 28 panel discussion featured major voices, pro and con, in the debate over NCRP's recommendations, and included NCRP executive director **AARON DORFMAN**, **SHERECE WEST** of the Winthrop Rockefeller Foundation, the Philanthropy Roundtable's **ADAM MEYERSON**, and **DONN WEINBERG** of the Harry & Jeanette Weinberg Foundation. The Bradley Center's **WILLIAM SCHAMBRA** moderated the discussion.

PROGRAM AND PANEL

11:45 a.m. Registration, lunch buffet

12:00 p.m. Welcome by Hudson Institute's **WILLIAM SCHAMBRA**

12:10 Panel discussion

AARON DORFMAN, NCRP

SHERECE WEST, Winthrop Rockefeller Foundation

ADAM MEYERSON, The Philanthropy Roundtable

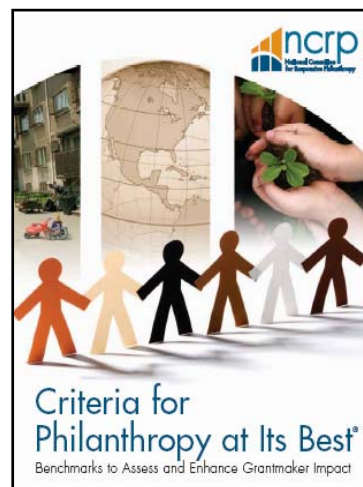
DONN WEINBERG, Harry & Jeanette Weinberg Foundation

1:10 Question-and-answer session

2:00 Adjournment

FURTHER INFORMATION

This transcript was prepared from an audio recording and edited by Krista Shaffer. To request further information on this event or the Bradley Center, please visit our web site at <http://pcr.hudson.org>, contact Hudson Institute at (202) 974-2424, or send an e-mail to Krista Shaffer at Krista@hudson.org.



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Panel Biographies

Aaron Dorfman became executive director of the National Committee for Responsive Philanthropy in 2007, where his work seeks to ensure that grantmakers are responsive to the needs of those with the least wealth, opportunity and power. Before joining NCRP, Dorfman served for 15 years as a community organizer with two national organizing networks, spearheading grassroots campaigns to improve communities. He holds a bachelor's degree in political science from Carleton College, where he studied under the direction of the late Senator Paul Wellstone. He also holds a master's degree in philanthropic studies from the Center on Philanthropy at Indiana University.

Adam Meyerson joined The Philanthropy Roundtable as president in October 2001. From 1993 to 2001, Adam was vice president for educational affairs at the Heritage Foundation. He coordinated the think tank's civil society projects, its publications on the Founding Fathers, and its "No Excuses" work on high-performing high-poverty schools. Adam was editor-in-chief of Heritage's magazine, *Policy Review*, from 1983 to 1998. From 1979 to 1983, Adam was an editorial writer for the *Wall Street Journal* as well as editor of its "Manager's Journal" and "Asia" columns and its book reviews. He is co-editor of *The Wall Street Journal on Management*, a book published by Dow Jones-Irwin in 1985. From 1974 to 1977, he was managing editor of *The American Spectator* magazine, then in Bloomington, Indiana.

Sherece West is president of the Winthrop Rockefeller Foundation in Little Rock, Arkansas. Previously she served as chief executive officer of the Louisiana Disaster Recovery Foundation, president and chief executive officer of the Carrier Foundation, and co-manager of the Annie E. Casey Foundation's Rebuilding Communities Initiative (RCI). At Casey, she was also active in the grantmaking areas of housing, community development, race, culture and power, and managed the foundation's investments in youth mobilization, engagement, and leadership. West's early career path wound through the Social Security Administration, the Maryland Municipal League, the DC Department of Public Health, the Community Service Society of New York City, and the Ford Foundation. West holds a doctorate in philosophy and public policy and currently serves on the boards of the Council on Foundations and the National Committee for Responsive Philanthropy. She is an adjunct professor at the University of Arkansas Little Rock.

Donn Weinberg joined The Harry & Jeanette Weinberg Foundation as a full-time employee in 1993, as corporate counsel. Since August of 2002, he has served as one of the Foundation's five trustees and a vice president. In that capacity, Weinberg is senior vice president for Mainland Real Estate, primary liaison to the Foundation's Hawaii office, and is involved deeply in a supervisory role in the Foundation's grantmaking activities. He recently was elected by the Foundation's board to become the Foundation's board chair for a three-year term beginning March 1, 2010. Weinberg is currently a board member of the Baltimore Community Foundation and the Jewish Funders Network. Since September 2007, as a hobby, he has been a regular volunteer singer-entertainer at older adult residential and day facilities in the Baltimore area.

Proceedings¹

WILLIAM SCHAMBRA: My name is Bill Schambra and I'm director of the Bradley Center for Philanthropy and Civic Renewal here at Hudson Institute. My colleague Krista Shaffer and I welcome you to today's panel, entitled "Philanthropy at Its Best?"

First, our preview of coming attractions. Our monthly panel on June 19 will discuss a sure-to-be-controversial report forthcoming from the Philanthropy Roundtable, entitled *How Public Is Private Philanthropy? Separating Myth from Reality*. For those of you who aren't familiar with the series, we do these roughly once a month. The report was written by Evelyn Brody, professor of law at the Chicago-Kent College of Law, and John Tyler, general counsel at the Ewing Marion Kauffman Foundation. As the title suggests, the report will challenge one of the deepest and most unquestioned premises of modern philanthropy, namely that the money held by charitable foundations is in fact public money. It will be indeed quite a controversial discussion, I think. Sign up will be on our website shortly.²

No doubt today's panel will be lively and interesting as well. We are assembled to discuss another controversial monograph on American philanthropy. This one, published by the National Committee for Responsive Philanthropy (NCRP), is entitled *Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact*.³

I will let our panel discuss the substance of the benchmarks, but I do want to say this before we get into that conversation; I think we owe the National Committee for Responsive Philanthropy (NCRP) a vote of thanks for clearly and forcefully laying out their understanding of philanthropy's role in the American republic.⁴ For all the talk in recent years about philanthropy's need for transparency and accountability, our foundations by and large continue to discuss their work in a language that is obscurantist, pretentious, and faddish. They seldom if ever lift their sights from the operational details of their work to the larger ends that philanthropy should serve in a democratic republic. If nothing else, the NCRP's report presents a well-

¹ In addition to the texts cited in this event transcript, the Bradley Center recommends the following reading: On April 23, *The Chronicle of Philanthropy* published an opinion piece by the Bradley Center's William Schambra on some of the reaction to *Criteria for Philanthropy at Its Best*, which itself received some letters to the editor—online at http://pcr.hudson.org/index.cfm?fuseaction=publication_details&id=6176. *Chronicle* subscribers may also want to read an essay by Aaron Dorfman ("Foundations Need to Think Hard About Their Blind Spots," April 23), two pieces by *Chronicle* senior writer Ian Wilhelm ("Proposed New Benchmarks Would Step Up Antipoverty Grant Making," March 12, and "Foundation Officials Criticize Report on Criteria for Philanthropy," April 9), and a piece by Pablo Eisenberg ("Firing Back at Critics of a Watchdog's 'Arrogant' Report," June 4) on *Criteria* and the public response to it.

² For more information or (after June 25 or so) to download your copy of the complete transcript, visit http://www.hudson.org/index.cfm?fuseaction=hudson_upcoming_events&id=685.

³ *Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact* is available FREE online (in electronic form) at <http://www.ncrp.org/paib>. Hard copies are available for online purchase on the same page.

⁴ The Bradley Center's events and publications often explore aspects of this theme, but two discussions that delved into it in depth are a May 5, 2004 roundtable with Kenneth Prewitt, "The Foundation and the Liberal Society," the transcript of which is online at http://www.hudson.org/index.cfm?fuseaction=hudson_upcoming_events&id=316, and a November 30, 2004 event with John Fonte, "What Is Philanthropy's Responsibility to the American Regime?" online at http://www.hudson.org/index.cfm?fuseaction=hudson_upcoming_events&id=181.

articulated argument about philanthropy's appropriate ends as well as means. It has therefore provoked a conversation that will in fact promote accountability and transparency in the only way that can ever be accomplished in a free democracy, namely through vigorous debate about our moral purposes in language that we can all understand.

To help model that vigorous debate I am pleased to introduce our panelists for today in the order of presentation. First we will hear from Aaron Dorfman, since 2007 executive director of the National Committee for Responsible Philanthropy (NCRP); then we will hear from Sherece West, president of the Winthrop Rockefeller Foundation in Little Rock, Arkansas, and a member of the board at both the Council on Foundations and the NCRP; then Adam Meyerson, president of the Philanthropy Roundtable; and finally, Donn Weinberg, newly elected chairman of the board at the Harry and Jeanette Weinberg Foundation.

So, Aaron (Dorfman)?

AARON DORFMAN: (Good afternoon, everyone! Bill (Schambra), thank you for that introduction, and for saying those kind words about the value of the report. I appreciate that!

It's great to be back for another Bradley Center event. I am looking forward to a lively discussion today. But before I get started, I would like to get a sense of who is in the room today. If you are an employee or a trustee of a foundation or another grantmaking institution, can you raise your hands? OK, maybe less than a quarter of the room. Now if you are an employee or a board member or a volunteer for a nonprofit that doesn't make grants, could you raise your hands? OK, most of the group. Great! I get to know who is here. Thank you all for coming.

First, I am going to explain the criteria and share a little bit about why they matter, and then I'm going to address a few of the arguments that have been raised by our critics. You've all got copies of the executive summary, so if you aren't familiar with our recommendations and you want to follow along, you certainly can do so. (The executive summary of *Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact* can be found online at http://www.ncrp.org/files/paib-execsum_lowres.pdf. In short, the four criteria address (1) values, (2) effectiveness, (3) ethics, and (4) commitment.)

Now, as many of you know, the National Committee for Responsive Philanthropy (NCRP) was formed thirty-three years ago to be a voice for nonprofits and for marginalized communities in discussions and deliberations within our philanthropic community. That's still a core part of our mission today; it's part of the value that we add to the sector. When I joined NCRP's staff in 2007, one of the things we heard from many of the sector leaders we interviewed was that they wanted to hear what the NCRP thought exemplary philanthropy really looked like. We heard that the NCRP was a valued member of the philanthropic community and that our criticisms had been beneficial over the years, but we also heard that people wanted to know what we are *for*, not just what we are against. *Criteria* lays out what we are for.

(Editor's note: Some panelists refer to the NCRP report as *Criteria*, and others, as *Philanthropy at Its Best* or *PAIB*. These are the same publication, *Criteria for Philanthropy at Its Best: Benchmarks to Assess and Enhance Grantmaker Impact*.)

Now I don't have to tell anyone in this room that the problems facing our nation and the world are monumental. Our philanthropic community has an opportunity and also an obligation to be part of the solution. So everything we advocate in *Criteria* is intended to generate the greatest amount of social good possible with what are extremely limited philanthropic funds. It's a goal I know we all share regardless of our feelings about the criteria. Our recommendations are meant to help grantmakers be more integrated and strategic in their work.

The first criterion, as many of you know, is about promoting the universal values of democracy and inclusion. We are seeking a renewed commitment on the part of our nation's grantmakers to help our most underserved neighbors. The first benchmark suggests a goal of providing at least 50 percent of grant dollars for the benefit of vulnerable communities. Our analysis of 809 foundations over three years shows that only \$1 out of every \$3 granted by American foundations goes towards benefiting economically or socially disadvantaged populations. We were really shocked; frankly, that this figure was so low because we defined marginalized communities so broadly in our analysis—we included economically disadvantaged people; communities of color; women and girls; people with disabilities; the elderly; people with HIV/AIDS; immigrants and refugees; crime and abuse victims; offenders and ex-offenders; single parents; lesbian, gay, bisexual, transgender and queer (LGBTQ) communities.

Now let me be absolutely clear about something with this first benchmark. The benchmark is concerned with who benefits from philanthropy, not with what issues should be supported. Grants for all kinds of different issues—the arts, the environment, education—can be targeted in ways that benefit marginalized communities. This is one of the most common misunderstandings or misrepresentations about the criteria.

Now the second benchmark, still within that first criterion, suggests a goal of providing at least 25 percent of grant dollars for advocacy, community organizing, and systemic change efforts. Given how limited foundation funds are in comparison with government funding, investing in advocacy and organizing is a strategic way that many grantmakers have found to increase their impact. It also helps philanthropy play a meaningful role in strengthening democracy. Is 25 percent the right figure for every single foundation? Of course not! Depending on their mission, some are going to want to do more, while some may think that a number lower than that is appropriate. But that's the challenge we've put out there to the sector.

Our second criterion (effectiveness) is about creating true partnerships between foundations and nonprofits, partnerships where grantmakers invest in building strong, vibrant, healthy organizations that are equipped to most effectively serve America's families and communities. In this criterion we call on our nation's grantmakers to provide at least half of their grant dollars as unrestricted general operating support, and at least half of their grant dollars as multi-year grants. We are also challenging grantmakers to stop burying their nonprofit partners under mountains of paperwork.

Research has shown quite conclusively that these things contribute to nonprofit effectiveness and impact. I see some friends in the audience from the Grantmakers for Effective Organizations (GEO). In our book we cite their research and that of the Center for Effective Philanthropy quite

extensively, and share some stories about the documented connection between these practices and greater effectiveness for nonprofits.

The third criterion (ethics) calls on our nation's grantmakers to serve as ethical stewards of the partially public dollars with which they have been entrusted. We recommend three things: larger more diverse boards, policies that promote ethical operation, and a free sharing of information. These are hardly radical notions.

Our fourth criterion (commitment) is about making sure that foundations are maximizing the power of their financial assets. We recommend giving out 6 percent in grants and investing the endowment in ways that support the mission of the foundation.

Now critics, especially those associated with the Philanthropy Roundtable, have said that total unfettered freedom is what makes philanthropy valuable, and that NCRP's criteria are somehow a threat to that freedom. But we all know that foundations have rights and responsibilities as philanthropic citizens. We aren't talking about mandates; we are talking about mutual accountability. Our criteria and the benchmarks we suggest are aspirational goals that must be applied flexibly according to the unique situation of each foundation. So my greatest hope is that thousands of our nation's grantmakers will use *Criteria* to start important conversations about improving their responsiveness and their impact. We want grantmakers to wrestle with these issues and to add their own accumulated wisdom to the mix.

Unfortunately, instead of engaging in a real discussion of the merits of the ideas we suggest, some have been creating a climate of fear among foundations and then promising to protect philanthropic freedom from the "evil" National Committee for Responsive Philanthropy! Now I think we are getting beyond that today, so I am happy about that. But that was certainly where the initial rhetoric was, and it may still be going on. From what I understand our report has been a fundraising bonanza for the Philanthropy Roundtable and their policy arm, the Alliance for Charitable Reform. Adam (Meyerson), I do hope there will be a check on its way to the NCRP—maybe a percentage of everything that has been raised off of our report?

(Laughter.)

But seriously, this debate begins with a very simple question. Is the status quo in philanthropy good enough? Does it serve the public interest that the only expectation we place on ourselves in the philanthropic community is that we obey the law? If your answer to this question is yes, then you will be likely to side with Mr. (Adam) Meyerson and Mr. (Donn) Weinberg in this debate. But if, like me, you believe that foundations can do more than they are currently doing to serve the common good; if you believe that the generous subsidies American taxpayers provide to donors and to foundations create an impetus to expect more of ourselves; if you believe that nonprofits and foundations should view each other as equal partners in pursuing the public good, then the criteria we have put forward are a great starting place for discussions. And serious discussions are what we were hoping to provoke with the publication of *Criteria*.

At the end of each chapter in the book and on our website there are discussion guides for leaders of foundations who want to engage substantively in these issues (online at

<http://www.ncrp.org/files/paib-discussionquestions.pdf>). Let me just lift up a couple of the questions that we suggest.

- Page 25: “How do we define marginalized communities in the context of our mission? Have we ever thought about how increasing our giving to marginalized communities might align with our mission?”
- Page 50: “Considering the mission of our foundation, are there ways we might increase our general operating support and our multi-year grants and still be effective in achieving our goals?”
- Page 76: “Do we feel that the size and diversity of our board could improve? If so, in what ways? If not, what are the barriers to us doing so? Have we considered including the grantee perspective on the board?”

Now, you may hear later from Mr. (Adam) Meyerson or Mr. (Donn) Weinberg that NCRP is trying to impose a narrow and arbitrary vision of philanthropy on all foundations. Nothing could be further from the truth. Do those questions I just read sound like the kinds of questions we would be encouraging if our goal was to impose something on the sector? Clearly not. And yet a vocal minority continues to gin up the troops to fend off this supposed threat to philanthropic freedom. Think about that—opening up a debate and challenging our sector to do better is a *threat!* Really?

As I said in the preface to the publication, “Ultimately it is up to the leadership of each institution to decide how it is going to operate.” These conversations will help each grantmaker clarify why it operates the way it does, and will encourage examination of why certain practices are, or are not, consistent with the foundation’s mission and with the broader public interests.

Now, the fact that the Philanthropy Roundtable has been spending thousands of dollars whipping up opposition to our recommendations is the real travesty here. Why aren’t they joining with us in encouraging their members to creatively find ways to invest in marginalized communities while still holding true to donor intent? Why aren’t they helping to spread the many stories about family foundations who have found real value from adding non-family members to their boards? Why aren’t they encouraging their members to provide multi-year general operating support grants so that we can all enjoy the benefits of a more effective nonprofit sector? Practices we recommend are good practices and there is evidence to support our positions.

The good news is, now that our report has been out for a few months, and now that more and more people have had an opportunity to actually read what we published, I am hearing a groundswell of support for our work. A few weeks ago I was in Atlanta at the Council on Foundations’ annual conference, and more than one hundred people came up to me at different times during the conference and said, “Thank you for what you are doing! Don’t back down. Keep pushing these ideas.” And that was just really affirming for me and the rest of the staff at NCRP to hear.

It’s always easy to get comfortable with the status quo, especially in philanthropy. There are no market pressures on foundations to help them improve. A mediocre foundation can plod along in

perpetuity if it wants to. But five years from now, will it really be a good thing for our nation and the world if we are still stuck in the same place where only \$1 out of every \$3 dollars given by US grantmakers benefits marginalized communities? Will it really be a good thing if only 20 percent of grant dollars are going for general operating support? Will it really be a good thing if nonprofit staff members waste hundreds of hours complying with the paperwork burden created by foundations who can't seem to simplify their processes or who won't make the switch to multi-year grants?

We've got to move forward, and now is the time for change in our sector. I have confidence that the leaders of some of our nation's grantmaking institutions will rise to the challenge we have issued. It's not going to be easy. Getting foundations to improve their practices is not a simple process. But if courageous leaders from the foundation community lead the way and challenge their peers; if courageous nonprofits start engaging their funders in discussions about what they really need to be most effective; and if thoughtful policy makers also engage in the debate, I'm confident we'll make headway on these issues. And the philanthropic landscape will be better a few years from now.

Thank you. (Applause)

SHERECE WEST: Good afternoon! I thank you so much for this opportunity to speak with you this afternoon about *Philanthropy at Its Best*. I am, as was stated earlier, on the board of the Council on Foundations, which is not a supporter of *Philanthropy at its Best*—I need to throw that disclaimer out there early on. But I am also a board member of the National Committee for Responsive Philanthropy (NCRP), and have signed on as an individual endorser of *Philanthropy at Its Best*, and the Winthrop Rockefeller Foundation has also signed on.

Why did I endorse *Philanthropy at Its Best*? It was important for me for a couple of reasons. First, the Winthrop Rockefeller Foundation's mission is to improve the lives of Arkansans—of *all* Arkansans: foreign Arkansans, low-income Arkansans, marginalized Arkansans, *all* Arkansans. That's important, because to set up this debate as an either/or debate in our grantmaking—affluent versus marginalized, disabled versus lesbian/gay issues, arts versus low-income communities—is a falsehood. There does not need to be an either/or as we look at these criteria. There *does* need to be intentionality about how we go about working with vulnerable and marginalized communities; if we are not intentional about our approach to those things, we will never really fully successfully address issues of structural racism, inequity, inequality, and the like.

So the mission of the foundation is to improve the lives of all Arkansans. We do so in the areas of education, economic development, race, and social justice. We have a specific focus on reducing poverty in Arkansas. We call it, "moving the needle," moving Arkansas out of the bottom five in the national rankings of economic and educational indicators. For those who don't know, we seem to want to stay in the bottom five along with Louisiana, Mississippi, Alabama, and Kentucky. We don't want to be there much longer. Using *Criteria for Philanthropy at Its*

Best as a tool for thinking hard about how we do our grantmaking will help propel us out of that bottom five, I believe⁵

With regard to the first criterion of *Philanthropy at Its Best*—which we’ve taken to calling *PAIB*—the Winthrop Rockefeller Foundation’s mission clearly articulates our values, what our priorities are, and we do our grantmaking based on those priorities and values. We have identified in Arkansas poor rural whites, immigrant youth, African American males, and single parents as the most vulnerable marginalized communities in the state of Arkansas, and we have set up our grantmaking to prioritize in our grantmaking that the work we do is done first and foremost in those four communities.

As for the second criterion, general operating support and multi-year grants are consistent with how Winthrop Rockefeller Foundation (WRF) is already doing its grantmaking. Since I came on as president a few years ago, I have been able to work together with the board to do more around general operating support than the foundation had been doing. In today’s climate, especially in today’s tough economic times, our nonprofits are vitally important to civil society, as we all know in this room, as evidenced by the number of nonprofits that are represented here. It is critically important that we hold our foundations accountable to providing the support that enables us to keep our work going and to serve our communities. General operating support and multi-year support is where I think we need to go in philanthropy, and it’s what we’re already doing at the WRF.

The third criterion, ethical standards and ethics, diverse boards contributing to ethical operations and the free sharing of information: Again, this is a value that is consistent with WRF, and with the way many other foundations and philanthropies are doing their work. But we can do more. According to the Rockefeller Philanthropy Advisors study data that Aaron (Dorfman) talked about, in 2006 the average staff diversity among foundations was 23.2 percent, and a little less than 13 percent board diversity. Those numbers are pretty dismal; there is no arguing that part of it.

Ensuring that those who govern and staff our foundations are from diverse communities and have experience working with those communities provides a fresh perspective, knowledge, skills and the like. It will lead to more robust and creative grantmaking strategies for all of us. Those foundations that we cite in our report, especially family foundations and community foundations, have been intentional about that diversity. In our study and in conversations that we can have later, we can show that with that type of robustness and creativity, this strategy has not only lead to more effective grantmaking in marginalized communities, but also the foundations were able to attract a new crop of philanthropists and partners to their work.

Finally, the last criterion deals with commitment and maximizing the power of our financial assets. The one thing that I did not mention, that I meant to say before as an example, is that as of today I think we have a \$110 million in assets. When I started we had a whole lot more. I throw that number out there for an important reason. We are a small private foundation and we are

⁵ For more information on the Winthrop Rockefeller Foundation’s “Moving the Needle” effort, please see the foundation’s 2007 annual report (pp. 6-10), online at http://www.winthroprockefeller.org/pdf/ann_reports/wrf2007report.pdf.

doing, and able to do, mission-related investing and program-related investing (PRI). In fact, just this week our PRI committee approved a \$250,000 deposit into a local credit union in our area. So whether you are as large as the Ford Foundation or as small as we are, or a smaller family foundation, these kinds of goals are doable and achievable as evidenced by the Winthrop Rockefeller Foundation.

What we have laid out in *Philanthropy at Its Best* are doable and achievable goals, goals that are aspirational, as Aaron (Dorfman) described to you before. They are goals that every grantmaking institution in this nation, I believe, should seriously consider as important as it goes about its grantmaking. We also provided in the study case examples of where foundations are implementing the criteria, including the Winthrop Rockefeller Foundation. So they're doable, achievable—that's important.

I want to make another point in terms of why I myself endorse, and WRF endorses, *Philanthropy at Its Best*. As we look at how we build our capacity as a field to work effectively and efficiently in marginalized communities, we must acknowledge that even with all that we have done to address perpetual inequity and the effects of institutional and structural racism in this country, black president withstanding, they continue to persist. There continue to be amongst the communities that we talk about specifically in our study widening gaps, widening inequities. As a field, we need to develop our capacity to work effectively to address those gaps and inequities. We are not saying that *Philanthropy at Its Best* is the panacea or the anecdote or the answer, but what we are saying is that by looking at these sets of criteria and considering how you operate, you're off to a good start.

Now, even though WRF works in a way that is consistent with *Philanthropy at Its Best*, I have to say that we do not necessarily meet all of the numerical goals. And we may never meet all of those numerical goals. *Philanthropy at Its Best* is flexible. It is not a mandate; it is not a standard; it is not a must-do or you are a loser. That is not the intent of *PAIB*; that's not what it is. We have conversations amongst our staff and our trustees, and we are proud of the fact that we do follow much of the criteria. But we may never get to those numbers; we may set our own numbers differently.

It is our responsibility, I believe, as staff and trustees of philanthropic organizations to simply struggle with the issues raised in *Philanthropy at Its Best*. I do not believe nor does the NCRP believe that every foundation should come up with the same answers. I do not believe nor does NCRP believe that we should all come up with the same approach. I do not believe nor does NCRP believe that we should all come up with the same grantmaking strategy. I do not believe nor does NCRP believe that we should all come up with the same sets of numerical goals. So I want to make sure that's clear. The beauty of this is that we look at the questions that *Philanthropy at Its Best* raises.

Only those who have not read *Criteria* and the associated research would criticize it as a one-size-fits-all checklist. This is a call for us to confront the questions of public good versus private benefit. The money we steward has come to us by way of charitable deduction and favorable tax treatment, and has already benefited the donors by the time the funds get to us. What do we owe the common good in return? That is the question to ask.

I have two other points that I want to raise in my remaining three minutes. First, when *Philanthropy at Its Best* exploded on the scene, there was a lot of talk about donor intent. Does donor intent trump all noble goals of dealing with structural racism, dealing with inequality and the like? I hope this question is asked sincerely, because that's the start of an engagement that we are looking for around these criteria. If a donor's intent is to focus on art or music or the opera—and I just so happen to love classical music and ballet—is there really no way to target resources to those most in need? I'm sure that there are thousands of aspiring singers, ballet dancers, librettists, and others in distressed communities that might have some ideas about this. A donor might look to support a particular school or museum, or to support cancer research, or, again, to support arts and the like. The question that we should ask is, can't we struggle to identify ways that the goals of a more robust and inclusive democracy can overlap with the goals of a donor? Again, it gets back to the fact that this isn't an either/or conversation or debate; we can overlap these goals. If the question is sincerely asked and the conversation is about how to match the public good with donor intent, then *Philanthropy at Its Best* has been successful in raising the question and getting the conversation going.

The other piece that I want to talk about is whether this is all headed toward legislative mandates as a goal. I want to clarify that the board of the NCRP has specifically adopted *Philanthropy at Its Best* as a way to state what we believe; and to enlist others in the debate in order to put together a positive self assessment of where we are around these benchmarks and goals. It is to talk about what we are in favor of, not what we are against. Hundreds have joined us. As Aaron (Dorfman) spoke about in his opening remarks, over fifty foundations have endorsed *Philanthropy at Its Best*, and we have more coming. Legislators are tasked with protecting the public good and being stewards of the treasury. Their interest is to ask the question, is the charitable deduction worth it? And we believe the field is capable of answering that in the affirmative. But it is our actions that speak the loudest. So I want to put that out there, to be clear around what our intent is as it speaks to legislative mandates, because that is not our goal.

I want to urge those who have not yet read or dug deep into *Philanthropy at Its Best* to do so. You can read our executive summary. For \$15 you can get a book. If you see me outside I might be able to get you one for \$10—a bootleg copy! (Laughter) But I do challenge all of us as staff and trustees and the like to engage in the questions that *Philanthropy at Its Best* raises, and to answer for your own foundation what is best for you, but also, what is it that we owe the common good and are we living up to *Philanthropy at Its Best*?

Thank you. (Applause)

ADAM MEYERSON: Thank you. Good afternoon, Ladies and Gentlemen. Thank you, Bill (Schambra), and thank you to the Bradley Center and Hudson Institute for sponsoring this very lively and important discussion. And I hope you won't mind, Bill (Schambra), if I say a few words of thanks to NCRP for its report, to start off with.

First off, we think that philanthropy benefits when there is a vigorous debate about first principles and about standards of excellence in the field; thank you, NCRP, for helping to stimulate that. Second, we think watchdog groups are good for philanthropy; we wish there were

more watchdog groups representing more diverse perspectives. In addition, we are sympathetic to some of the objectives of the NCRP report; for instance, we recommend that foundations spend more than the 5 percent minimum payout, if that's consistent with donor intent and mission and strategy.⁶ We would defend to the death the right of foundations to exist in perpetuity, but we also recommend that donors seriously consider sunset provisions for their foundations. Like NCRP, we would like to increase the volume of foundation giving for general operating support. We also would like to see more money for advocacy. And we would like to see more money for low-income communities. In fact, we devote one third of our resources at the Philanthropy Roundtable to providing programming to help donors open opportunity for low-income families and communities. We wish we could spend more money on that, but our resources are being diverted by the need to fight NCRP.

(Laughter)

ADAM MEYERSON: The Philanthropy Roundtable has three concerns about the NCRP's *Criteria*.

Aaron (Dorfman) used the words "narrow and arbitrary," and I'm going to explain why we think that's a problem here. I also want to say, however, that we agree very much with Sherece (West), that philanthropy should not be an either/or proposition. But why is it that the NCRP's definition of excellence is so narrow? Let's look at some of the historic achievements of philanthropy.

Giving to the arts, for example general operating support for arts institutions, is not "Philanthropy at Its Best," according to NCRP. Giving to environmental protection is not "Philanthropy at Its Best"—maybe second best, maybe third best. Giving to religion, religious education, that's not "Philanthropy at Its Best." Look at Andrew Carnegie's construction of public libraries, one of the great achievements of philanthropy—but not according to NCRP. America has the best public and private universities in the world, thanks to philanthropy, but that's not "Philanthropy at Its Best." The transformation of American medical school in the 1920s by the Rockefeller Foundation was a great achievement of philanthropy, but not according to NCRP. And one of the greatest achievements of grantmaking in the last decade, networks of schools where low-income children excel academically, meets some of NCRP's standards but it doesn't meet the standard for advocacy.

In addition to having a narrow vision of excellence, NCRP's standards for governance and grantmaking are arbitrary. To cite one example, while most foundations have volunteer boards, many find it helpful to offer reasonable compensation to their trustees. For instance, a few years ago the Woods Fund of Chicago paid a young law professor and state senator named Barack Obama to serve on its board. Mr. Obama had a lot of other things to do; it helped him take this responsibility more seriously to be paid. We think a decision like that should be a judgment call

⁶ The Bradley Center's events have often touched on the issue of "payout," but the following discussions addressed the topic directly: "A Cost of Giving Adjustment? Should Administrative Expenses Be Excluded from a Foundation's Qualifying Distributions?" (June 2003, transcript online at http://pcr.hudson.org/index.cfm?fuseaction=publication_details&id=2908&pubType=PCR_Speeches) and our book discussion of Peter Frumkin's *Strategic Giving: The Art and Science of Philanthropy* (October 2006, transcript online at http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=304).

for foundations, and we would like to give the Internal Revenue Service more resources to police cases of unreasonable compensation.

So, too, we think that philanthropy at its best isn't limited to general operating support, even though we are for more general operating support. We can cite thousands of examples of great philanthropy that is project-based. To give just one example, when the St. Giles Foundation, one of our members, launched a sickle cell research program at Columbia University it wisely recognized it could not achieve its objectives by doing that as general operating support.

What troubles us most about NCRP's *Criteria* is our fear that it is part of a political movement to incorporate these narrow and arbitrary standards into public policy. At its press conference announcing the report, the NCRP's chairman David Jones said that he and his colleagues want Congress to look at the criteria and judge whether these organizations, that is to say foundations, are serving the public interest. Also at the press conference, Representative Xavier Becerra (D-CA) said he expected hearings on foundation performance; he spoke of an obligation to see that the taxpayer money is well invested. Becerra also thanked NCRP "for giving us in Congress something to work with."

Now, Aaron (Dorfman) and NCRP assert that their report is not a call for regulatory action. I'm delighted to hear all the comments about how "we didn't really mean it" about 25 percent and 50 percent, and how those standards are very flexible. But the report does emphasize that foundation dollars are partially public dollars and "the generous tax subsidies provided to donors and to foundations make the government and the public partners with philanthropists in the pursuit of the public good." This premise, based on a misunderstanding of preferential tax treatment for charities and foundations, is an open invitation for legislative and regulatory interference in the decisions of private organizations.

Donors and foundations that take advantage of charitable tax deductions and exemptions do incur a weighty obligation. They do have important responsibilities. They have to use their charitable assets for charitable purposes. You cannot use your foundation to finance your daughter's wedding. You cannot use it to finance your favorite political party. You have to use it for charitable purposes. These rules are enforced by the IRS, and we would like to give more money to the IRS to enforce the law more rigorously. But so long as donors and foundations follow the rules and use their money for charitable purposes, *they can define what those charitable purposes are*. Donors do not lose their independence, their privacy, or their constitutional rights when they take advantage of charitable tax preferences.

Let me bring this down concretely to say what is so important about this. We hear a lot about accountability and being partners with the public and with government. I want to talk about one of my very favorite philanthropists in American history, Julius Rosenwald. Do you all know who Julius Rosenwald was? Julius Rosenwald built five thousand schools in the Jim Crow South. At one time one third of rural African American students in the South owed their education to schools that were built by Julius Rosenwald. If government and the public had been partners with Julius Rosenwald at that time, those schools would not have been built. We are devoting so many resources to protecting philanthropic freedom because we want to protect the opportunity for

future Julius Rosenwalds to do something that is unpopular but offers solutions for some of the country's greatest problems.

The National Committee for Responsive Philanthropy has every right to push for grantmaking of the kind it favors—more money for low-income communities, more money for advocacy, more money for multi-year general operating grants. But it is a serious threat to freedom and to charitable giving as we know it to use the law to NCRP's "narrow and arbitrary" criteria on all charitable giving.

Thank you very much. (Applause)

DONN WEINBERG: Good afternoon, everyone. I'm Donn Weinberg from the Harry and Jeanette Weinberg Foundation. It's very difficult up here because I agree with a large part of what everybody said—and I'm not running for office, so I'm not just saying that to get along.

Let me tell you something about the Harry and Jeanette Weinberg Foundation, so you know where I'm coming from and I can establish my "street cred." The Weinberg Foundation, if you had asked me last year, was a \$2.3 billion—with a *b*—dollar foundation. Now we are about a \$1.8 billion dollar foundation—still large. On average, we have been making grants of around a \$100 million dollars a year for a number of years.

Our mission—our *only* mission—is to help poor people, to help people who are below the median, the lower half of the economic spectrum. We do that in a variety of ways—and I can cast it in a few ways for you, just so that you get a picture so with the other comments I make you have my context. We have a number of subject matter areas in which we help the poor: the poor elderly; the poor disabled; people who need jobs—we have a workforce development area; and education. And then we have an area that we have just recently changed to "basic human needs," which includes hunger and homelessness and addictions and things like that. We do a few other things, but this is our core.

In terms of casting the types of grants that we make, we make 50 percent of our grants as capital grants. This is going to become important when we talk about this, and I'm sure that Aaron (Dorfman) and NCRP would say, yeah, that works out, if that's what you are going to do. I'm not really here to argue with Aaron; it's more important just to talk about some of these issues. About half of our grants are capital grants. That means that the other half are split between general operating grants and program grants, because we don't do endowments anymore. We could never make the 50 percent general operating, because 50 percent of our grants already are capital grants. But we do believe in general operating grants as well as programmatic grants, depending on context.

We have a goal of trying to give 60 percent of our grants for Jewish poor. That includes Jewish poor in the United States, Jewish poor in Israel, and Jewish poor in the former Soviet Union and some other places. I'd say that would count as a marginalized community because I think Aaron (Dorfman) has said that, and it's in here in the report that basically anyone who is poor is marginalized, at least by the definition. I have no trifle with that really; I think that's fine. So this is what we do. Our whole purpose as the Weinberg Foundation is to help poor people.

So, do I have any issues with these criteria? It depends upon what one believes these criteria are. Aaron (Dorfman) has, I think, clarified a great deal today, and I think we have all acknowledged that there has been some clarity on this, which I think is good. If these were proposals for legislation—which they’re not—and Congress required that every foundation give 50 percent of its grants for the poor; that would be a much more serious issue for us to be talking about together than if it were simply something that we should be thinking about, talking about, and pondering. Or we could think of *Criteria* as something in between, some sort of non-mandated ideal for foundations. That would be the middle point. But it’s clear now that this is not in itself a proposal for legislation, so we can all take a deep breath if we were concerned about that.

Could it become a model for legislation? Sure. Any suggestion that anyone makes could become a model, potentially, for legislation. The Weinberg Foundation could put out its own set of criteria—which we are not going to do—and ask our legislators to please consider making this the law. One thing we would love to see is more people giving to the poor elderly. Would I try to mandate that? I don’t think so, and I don’t think they are trying to mandate it either. We’ve got clarity on that.

There is a concern, I think—and I’m going to be very frank with you, because we are all “family” here—that someone in a position of power or influence might misunderstand what Aaron (Dorfman) and his group are presenting, and might make it much bigger than it really is. But all Aaron is saying is that NCRP just wants to stimulate conversation on these points. Maybe they want to try to establish, at least from NCRP’s perspective, an ideal. But someone in a position of power might not get all of that, and might want to go further with *Criteria*. But that’s life. What happens in the United States of America is, people are allowed to advocate and to come up with ideas for proposed legislation, and when that happens, you have congressional hearings. Then we can all go in front of Congress and give our opinion about that, and whatever happens, happens. And by the way, whatever happens—whatever the law is, that’s what the foundation world is going to do. We are going to follow the law.

So I’m not really freaked out about this, to be honest with you. I think that there are good things here. Certainly from the Weinberg Foundations’ perspective, we would like to see everybody giving to the poor and everybody considering more seriously general operating grants and so forth.

The question that Adam (Meyerson) raised is a good one, and I suppose that Sherece (West) gave us some guidance in that. For example, what if you fund an art museum? It doesn’t sound on the surface as though it’s really going to be consistent with these guidelines, if I could call them that. But as Sherece (West) pointed out, the art museum should ask itself after reading this, are there some things we can do to get more poor people to come to the museum? Maybe we can get a donor to make a grant for a free ticket program. Maybe we can use some of our resources to really try to get kids from the poorer schools in the city to come to the art museum so they can get exposed to art. Symphonies do this and so forth. Good idea! If it stimulates thinking, it’s a good thing. And it *has* stimulated thinking, as we can all tell. We are all here and there has been a lot of stuff in the blogosphere about this, and so I think it can be helpful in that way.

If you get what I am saying, if this is something that is primarily intended to get us thinking, to be provocative, to get us to question ourselves, it's a good thing, and these are good points. If it is something that is misused by others—if it's misused by someone who says, I'm just going to take this and make this legislation—Aaron can't control that. We would have to talk about that at another time and in another form.

Let me talk about a few things so that you understand that the Weinberg Foundation meets a lot of these criteria. We are not listed in the big book; I don't know whether we answered questions to the Foundation Center or something like that, because I looked and saw that we're not in there—and I know that we would fit into a lot of those things.

One of the things that I would question in terms of whether it really should be considered an ideal—and this is my own opinion; it is your privilege to agree or disagree—is the question of whether there should be a particular percentage of the grantmaking for poor people for advocacy. I know some organizations out there may be primarily advocacy organizations. Some may be primarily direct service organizations. And of course some are in between. The Weinberg Foundation's own policy is that we don't give for direct advocacy, we give for direct services. One of the many sayings of Harry Weinberg was something along these lines: “When people are out there trying to solve the problems of the world”—meaning research and advocacy—“someone's going to be hungry, and someone's going to be cold; that's our job.” We don't criticize those who are involved in advocacy to try to deal with structural issues. But we've made a decision, based upon what we believe was our donor's intent, to focus entirely on direct service and not to support organizations that are primarily involved in advocacy. Now some of the grants that we make are to organizations that do a little bit of advocacy as part of what they do, and that's fine. The idea is that predominately advocacy organizations, God bless you, the other foundations who like to do advocacy will give you those grants, but we won't, and we wish you the best, whichever side of the issue you are on.

As for general operating support, I think that Paul Brest in his blog entries did a pretty good job of trying to explain that so much of this depends on the circumstances.⁷ I don't think Aaron (Dorfman) or Sherece (West) would disagree. I think what they are saying is that in circumstances in which a general operating grant would be really the best kind of grant to make, one should seriously consider it. There are foundations or donors out there who will say, no, no, I don't want to pay for your overhead. Well, overhead is what makes it work! I'm not really disagreeing with you, Aaron and Sherece. I'm just pointing out that when you get into the details in a foundation and start asking, how does this work for us? then you start really getting into circumstances, and you get into cases. And as long as we're talking about *Criteria* as guidelines for stimulating thought and discussion, no harm done. I think there are a lot of foundations that need to think about general operating support more than they do. But sometimes general operating support is not going to work for a particular grant that a foundation is thinking about.

Multi-year grants—we make a lot of multi-year grants. Sometimes they make a lot of sense and sometimes they don't. Sometimes they don't, for example, if it's a new organization. You want

⁷ Paul Brest wrote five thoughtful blog entries (March 5 through April 3, 2009) on *Criteria* for the *Huffington Post*, online at <http://www.huffingtonpost.com/paul-brest>.

to give them a start, but you want to see how it's going to work out. Then if it works out well, maybe you give them a multi-year grant.

I don't think that there are percentages that one can call ideal, because it depends so much on your foundation's mission. What are you trying to accomplish? What particular nonprofit organizations are you dealing with? Sometimes a multi-year grant is terrific. We give our multi-year grant contracts a "claw back" provision; before we make our second and third installments, we have a right to end the grant or to modify the grant. We would do so if we were dissatisfied with what has happened after the first year, based upon certain objective criteria. You might say that's the equivalent of making a year-to-year grant, except that at least the organization can plan.

In terms of diversity of board members, here you get into a sticky area. No one here, Aaron (Dorfman) or Sherece (West) or Adam (Meyerson), would claim that just because one is of a certain ethnicity or race, that everybody within that ethnicity or race thinks alike. If you watched the *Barbershop* movies—either the first one or the sequel—you would know that's not the case in the black community. And there is a saying in the Jewish community that if you get three Jewish people in a room you have five opinions! So we know there isn't necessarily a problem of diversity if the board doesn't consciously go out and say, I'm going to have this person from this ethnicity and this person from that gender and so forth. On the other hand, I think it's not unreasonable to at least think about it: Are we missing out on something? Have we been subconsciously only picking men? Have we subconsciously only been picking white people to serve on our board? I think there is a value there to think about that.

The diversity that is really important is the diversity of thought. It depends on the foundation; if your foundation has a mission which is ideologically based—and there are a number that have an ideological mission and are particularly involved in advocacy, diversity of thought may not be such a good idea. In other words, if you had a conservative foundation with a conservative ideological agenda, would they be expected purposely to pick, if they had a five person board, two liberals just to have balance of thought? They could, but really is that going to move the agenda along? I don't know; that's a question I can't answer. All I'm saying is that diversity can mean a lot of things to a lot of people. It shouldn't be thought of in the very limited manner of diversity of what you look like on the outside. Diversity in the way you think is maybe what's really important.

Sometimes—I think a good point is made here—if you have a particular kind of foundation, a community foundation, you want to have diversity of economic status. You want to have diversity that reflects the community. But in other kinds of foundations, that kind of diversity is really not relevant.

In conclusion, I think that what NCRP has done is a good thing, on balance. I think that it has stimulated a lot of conversation. The kinds of debates and discussions you see in the blogosphere are fun; they are interesting. It makes working in the nonprofit world that much more exciting. And as long as we can put this in the proper context—that this is a stimulation of thought; a question of what is the ideal, if there's an ideal; a question of what is ideal in various contexts—

it's a good thing as long as it's not misused. If it is misused, all of us here at this table would attempt to try to correct the person who tried to misuse it, I think.

Thank you. (Applause)

WILLIAM SCHAMBRA: Very good—thank you very much! Donn (Weinberg), on your proposition about having some liberals mandatorily sitting in on conservative foundation boards, I dare say that if conservatives were to mandatorily sit on liberal foundation boards, we conservatives would take the deal! Then we would end up with conservatives sitting on more foundation boards than just at a certain few foundations!

DONN WEINBERG: I'm a libertarian, so I don't know how that feels!

WILLIAM SCHAMBRA: Okay, well that just goes to show that when you have five conservatives in a room, you have eight opinions, I think. This is one of the divisions!

Let me just ask Aaron (Dorfman) and Sherece (West)—but by all means you all should feel free to trade thoughts on this—it was the case that Congressman Becerra (D-CA) was at the press conference. One can certainly see why you would want to have him there; the foundation world is almost completely impervious to criticism or suggestions or recommendations unless there is a hint of Congress in the background. Congress seems to be the only force in the universe that actually provokes attention and concern in the philanthropy world, given the insulation that you are talking about. But could you say a word, either Sherece (West) or Aaron (Dorfman), about the selection of Congressman Becerra—why he was at the press conference? You all know that the quotes that Adam (Meyerson) used (on page 13 in this document) were part of the alarm that people felt about this. Could you say a word about his presence at the press conference unveiling the report?

AARON DORFMAN: Congressman Becerra has shown an interest in these issues and an interest in seeing foundations do more to benefit marginalized communities. He is one of the few members of Congress who has paid any attention to philanthropy at all. And so it certainly seemed like he was a good choice to crystallize this concept that we are driving at—and, of course, the issues that you raised are certainly correct as well.

WILLIAM SCHAMBRA: Adam (Meyerson) and Donn (Weinberg), the central conception here is that foundations should do more for the marginalized. Certainly there is a burden on conservative philanthropy in particular, I would think, to pay attention to that standard. For this reason, conservative philanthropy claims that attention to marginalized communities is done best by private sector efforts. They claim that government has done a very bad job over decades of attending to the needs of marginalized communities, and that we need to rely more on private sector initiatives.

It seems to some of us that those conservative foundations will fund the advocacy for that point of view. But that they have not done such a good job of actually doing what the Weinberg Foundation does, which is to direct its funding to that particular purpose—attending to the needs

of marginalized communities directly. Could you comment on the state of conservative philanthropy and its obligations or its record in this sphere?

ADAM MEYERSON: Conservative philanthropy is a work in progress; it has to be looked at not just now, but over the next twenty to twenty-five years. One reason we are so concerned about protecting philanthropic freedom is because we want to bring new donors, new philanthropists into the field. We think much of the energy and excitement in philanthropy comes when new donors are able to come in.

For example a couple of weeks ago we took ninety donors to visit five schools in Bedford-Stuyvesant, Harlem, and East Harlem, where low-income children excel. An example is Excellence Boys Charter School in Bedford-Stuyvesant, which takes boys from the local neighborhood. This is one of the highest performing elementary schools in the entire City of New York. Of the ninety donors who came, many of them weren't very involved in philanthropy yet but they wanted to see what opportunities there are to make a difference in this field. We are very consciously as an organization trying to expand philanthropy in these fields.

We took twenty-five donors to a prison outside Houston in which the Weinberg Foundation has been very involved. Prisoners on their way out are being taught how to become entrepreneurs of legitimate businesses—because, well, many of them have already been entrepreneurs in other businesses. (Laughter.) They are taught how to become business entrepreneurs. We took twenty-five donors there, and then we brought the program's alumni to meet with four hundred donors so that they could see that this is the kind of difference that philanthropy can make.

We see an enormous hunger among many people of financial means to try to make a difference in solving some of the problems of our society. But they don't know how to do it! One of the things that we do is to try to encourage them and say, look, there are a lot of success stories out there in the neighborhoods that you are trying to help. You need to go and visit them and see what's working, and think about how you might replicate it.

SHERECE WEST: In what you just said, you described *Philanthropy at Its Best!* I don't understand how this is a threat to philanthropic freedom.

(Applause)

ADAM MEYERSON: Let me address that. For us, it is the most important thing to encourage this kind of philanthropy. But there are other kinds of philanthropy—for instance, that of the Sloan Foundation and the Hewlett Foundation in undertaking one of the most exciting philanthropic developments of the last ten years, the opening up of the Massachusetts Institute of Technology (MIT) curriculum so that it is available online. Anybody in the world, whether you are in rural Arkansas or rural Sri Lanka, can access the MIT curriculum—all of the courses, and all of the reading materials. That is not an example of targeted philanthropy; it is universal philanthropy for a very important educational scientific purpose. We are going to hear about great scientists and engineers who got their start because that kind of technological diffusion was made possible. Some of them are going to come from low-income areas, some are going to come

from middle-income or even upper-income areas; but all will have been given access in the same way that Andrew Carnegie brought reading and learning to towns and cities all across the country with the construction of public libraries. He wasn't saying, I'm only going to do this in poor neighborhoods; he was saying, I'm going to do this! We consider both of those to be philanthropy at its best, and we will fight any standard that says that only taking donors to Bedford- Stuyvesant is philanthropy.

SHERECE WEST: What happens when you find that a disproportionate number of those who take advantage of the online MIT curriculum are white? And what happens when libraries don't have people of color using the resources? I agree with what you said earlier about grantmaking toward the environment, religious education, the Carnegie libraries, and private universities—which, actually, you need to take out as an example because it's clear that immigrants, people of color, and the like don't go to them, to medical schools and the like. But when we allow the free market to work as the free market works, there are times when it excludes entire groups. So what happens when you find that you don't have people of color or from other communities participating, taking advantage of the online MIT curriculum?

ADAM MEYERSON: I'm just saying that online learning is an extraordinary advance, and we would like to protect the opportunity for philanthropists—and we hope that they would take advantage of it—to make that kind of online learning possible throughout the world. That doesn't mean that other philanthropists can't do additional things to build on that, and we would encourage that. We agree with you it shouldn't be either/or.

SHERECE WEST: But the point is that often times it works out that way.

WILLIAM SCHAMBRA: Sherece (West), there is a very nice discussion in the first chapter of *Philanthropy at Its Best* about the need to pay attention and be intentional, as you are suggesting. Perhaps you could expand on that argument?

SHERECE WEST: I was trying to understand how Adam (Meyerson) understands threats to philanthropic freedom. There are times in which we need to be intentional about all groups participating in all opportunities. Oftentimes the free market does not work in a way in which all groups participate in all opportunities. This country was set up structurally in a way in which all groups aren't able to participate in all opportunities—continually. Thus, there does need to be intentionality at times. Even with your example of the Rosenwald schools, I am pretty certain that those schools today are supported by public dollars; I understand they were started by private dollars, but they could not continue on without being supported by public dollars. Again, with the example of public and private universities, it's astounding how many African American men are not in private universities. Immigrants are not in private universities and the like. As *Criteria* suggests—and I support it—we often have to be intentional about inclusion in our work with the environment, religious education, libraries, universities, and the like. We have to be intentional about inclusion so that we can get to that place where all people do participate.

So the “threat to philanthropic freedom” is one that I don't understand. The online MIT curriculum is a fabulous model—I agree with that wholeheartedly. We also support online

education in Arkansas. But data has shown us that a disproportionate number of those who participate are not those communities we are really trying to reach.

I also want to talk about project-based support, which Adam (Meyerson) talked about earlier, and categorical grantmaking. Often these do not allow for operations, and thus we continue to put grantees in the position of using their project-based support ineffectively because they are not able to pay for their operations. Donn (Weinberg) did a good job of saying that general operating support could be considered a part of grantmaking strategy. But I still want to challenge our thinking around that, because time and time again we hear from nonprofits, from grantees, that their project-based support is not enough for them to really carry out their goals and objectives through their programs; operating support is necessary.

As we look at the *Criteria*, whether you do it at 25 percent, 10 percent—those numbers in the report are not arbitrary, by the way, and I did not mean in my presentation to make them sound that way, as if they could be tossed out at will. What I was trying to say is that we do strive towards those numbers, and we are asking the field to look at those numbers very seriously as numbers to strive for. That's why we would like foundations to look seriously at achieving that goal with regard to operating support. But we do allow for flexibility, so that donor intent is not threatened and philanthropic freedom is not threatened.

DONN WEINBERG: Exactly! The concept that I like to use is a “diversified portfolio.” Investors have diversified portfolios if they are smart. Some don't, for example the ones who went with Madoff and lost their money. And even in fundraising, for those nonprofits that are doing fundraising, it's a good idea to have a diversified portfolio, so that any nonprofit that is receiving funds is likely to have a certain number of donors who fund general operating expenses; a certain number of donors who are looking for specific projects; some government funding; and some private funding. In fact, Sherece (West), I'm sure we have both seen weak nonprofits—the ones you worry about, the ones that have too much government funding or too little of this or too much of that.

My point is that if you have a diversified portfolio, you don't have to achieve your goals with any one grant. In other words, we are not talking about meeting NCRP's criteria with every single grant. We are not saying that one grant has to achieve all of the goals. It's the diversified portfolio of a foundation that we are really talking about—is it touching the necessary bases? Considering the light in which you place *Criteria*, I don't get the impression that we need to be that worried about that—because even Sherece (West) has said that her own foundation doesn't necessarily meet each of these points. As long as you are thinking about them—no one has any objection to being asked to think about certain things and to really seriously think about them. No one would really disagree with that. I don't think that Aaron (Dorfman) is advocating that a law be passed that if you don't do 25 percent of your grantmaking in advocacy that you will be taken to task by the IRS. Am I right Aaron?

AARON DORFMAN: You are correct.

DONN WEINBERG: That, I think, was the real concern; the unknown—what are you really aiming at here—has been clarified. Thank you for that. We are just saying, let's get everyone

thinking around these issues. The numbers, I think you would probably say, are not as important as the concepts that those numbers may attach to in some fashion. It is more important to be thinking about general operating support than obsessing over whether we are at 50 percent or not. It's important to think about what level of general operating support are we providing, rather than obsessing over any particular numbers. The number is there because we like numbers, people like numbers. Right, Aaron?

AARON DORFMAN: The number is there because people like numbers, and because when you just talk in the abstract about things like general operating support, and you just say that it's good and we need more of it, nothing changes. We've been saying that in our sector for more than a decade. And in fact, the recent trends, which we report in the aggregate, are downward. There is *less* general support in recent years than there was before that.

For a decade this was only spoken of in the aggregate, what was happening field-wide. We disaggregated the data. And while some donors are really stepping up to the plate and providing a lot of general operating support, and a much larger group of donors is doing almost none.

We want to really encourage it, and as your doctor would give you a goal weight that you shoot for, we're putting a little goal weight out there for foundations. And we want to see the aggregate trends getting better, so that our nonprofits will be healthier and more effective and our communities will be better. If nothing changes we are going to keep getting the same results that we have been getting.

SHERECE WEST: For the nonprofits in our audience today, I also want to mention that we at the Winthrop Rockefeller Foundation made the shift to core program support because our nonprofits in Arkansas asked us to. They talked with us. They were clear about project-versus-operating. They needed us to be responsive—not just WRF but also the Walton Foundation, Frueauff, and others that are in our state. And we heard them, because we wanted to listen, and we value diverse opinions as important to who we are and how we run our organization. So go out and talk to your funders about general operating support! It is an important criterion to empower yourselves around—and not just that one but all four criteria.

I also want to step back to let you know that I've run a nonprofit and had to raise money, and I understand the importance of general operating support. And we talk with our board about it. So I just say that as an empowerment point for those nonprofits that may fear addressing your funders around this issue or the other three issues in the study, I say to you, don't be afraid! We need you as much as you need us.

ADAM MEYERSON: We heard a proposal earlier this afternoon for funders—of, let's say, the arts—to consider how to bring more low-income people into the museum, or to the opera. That sounds to me like project support.

SHERECE WEST: It's not.

AARON DORFMAN: Adam, you are not catching the point that we covered two weeks ago in New York,⁸ and that Donn (Weinberg) just caught: Every grant doesn't need to meet every element of the *Criteria*. If you are an arts funder and you want to do what Michael Eisner's family foundation did recently—they gave a million dollars to bring the arts into low-income schools in Los Angeles—that's great! That is going to be a project grant not a general support grant, of course. That's accomplishing one part of a good overall mission.

SHERECE WEST: And you can do both! You can have a project grant that has 50 percent, x percent, 10 percent, whatever it is, towards general operating support. The broader point is that nonprofits need general operating support to even bring the young people to the museum in the first place. There would be no museum without general operating support. That support is needed. If we want to encourage groups that don't traditionally attend on their own, we can still make a stipulation within that grant that x percent goes to general operating support. You can achieve both with one grant.

ADAM MEYERSON: As I mentioned, we support the concept of increasing general operating support. We think it is especially important for small grantees, and it is especially important in a recession year such as this. But let me get back to what Aaron (Dorfman) just said. There are many legitimate purposes of project support. Medical research is another example—an awful lot of medical research takes the form of project support. If a foundation specializes in a kind of medical research, for instance, or let's say a foundation specializes in bringing the arts to low-income communities, that would meet one of NCRP's criteria but not another. Our goal is to make sure that foundations have the flexibility to make these kinds of trade-off decisions themselves.

DONN WEINBERG: I share a concern, in a vague sense, with Adam over the numbers, the percentages. Let me give you an idea of what I mean. A letter I wrote to Aaron (Dorfman) when I first read just the executive summary—not the whole book—had to do with the methodology by which the 50 percent number or any of these numbers was reached. I said on page three of six pages of my letter, "In general we find that your reasoning for some of the draft criteria is weak." To provide just one example, on pages 23-24 of the report, citing disaggregated data from the Foundation Center in support of criterion 1a—that's the 50 percent to marginalized communities—NCRP's analysis found that "108 foundations, or about 13.35 percent of our sample, provided at least 50 percent of their grant dollars for the intended benefit of marginalized communities. This is the benchmark for Philanthropy at Its Best." I go on to say, in commenting on that quote, "You provide no specific reasoning for your determination that the proper minimum percentage should be 50 percent. You merely assert it arbitrarily. How does the practice of only 13.4 percent of larger foundations justify your determination? What rate is to be given to the 86.6 percent of larger foundations that apparently do not practice what you propose?"

If the NCRP booklet had not used particular percentages but had simply said that "a substantial amount"—or "not insubstantial" depending on whether you are a lawyer or not—should be

⁸ On May 12, 2009, Philanthropy New York (formerly NYRAG) hosted Dorfman and Meyerson for a debate on the *Criteria* entitled "What's 'Best' in Philanthropy." A re-cap can be found online at: <http://blog.philanthropynewyork.org/2009/05/19/>.

given serious consideration in some fashion, then I wouldn't have had this concern, at least initially. And I think I still have it, but only to the extent that I think it reduces the effectiveness of this, because it creates such resistance when you mention minimum numbers. In my opinion—and I say this in the friendliest way because, Aaron, we had lunch together and all that—it would have been adequate simply to say that grantmaking to marginalized communities should be given serious consideration, and there should be a substantial amount of it, *without listing a number*. When you start listing a number and you are trying to support it—sometimes it is a mistake to support it with data. When you say that only 13.4 percent of larger foundations do that, the logical question is, how about the other 86.6 percent? How did you happen to choose the 13.4 percent to pay attention to and use as a guide, rather than the 86.6 percent? And I'm sure there's an answer. I posed it to you back then, and I respectfully pose it to you again today.

AARON DORFMAN: If we had put out a set of suggestions that said, gosh, foundations really ought to seriously think about benefiting marginalized communities and really ought to seriously think about advocacy, I would venture to say that if we had put out mild language like that we would not be having the discussion that we are having here today. The point was to move beyond those things that had been said in those ways for the last couple of decades, and to provoke a more serious self-examination in the sector. And I think we are getting to that point, and that's great. And I think where you set the bar is an important issue. We go into that in much more depth in the larger document. Frankly, your letter to me and other feedback that we got from the initial short draft helped us figure out how to put forward some of this in ways that we thought would be most helpful and useful to our sector.

WILLIAM SCHAMBRA: If I can say a word on behalf of NCRP's position on this, it is interesting that foundations have become evermore focused on metrics and measurable outcomes and whatnot, and they feel absolutely no compunction about imposing measurable outcomes on nonprofit grantees—and when the nonprofits say, it's really hard to measure this; you really can't measure this, the foundations say, oh, that's more of your fuzzy-headed woolly minded nonprofit –

(Applause.)

WILLIAM SCHAMBRA: Sorry (to the panelists), I didn't mean to do that! But it is interesting that suddenly the foundations should find measurement so objectionable.

Questions from our audience?

KIM DENNIS, Searle Freedom Trust: I work for a foundation that supports public policy research. Now you might not consider such research “Philanthropy at Its Best,” but it's what we think we do best, and what we are going to go on doing until we are told we can't.

A major focus of our research is how to create public policies that help marginalized communities. We focus a lot on economic policy; we argue that it helps marginalized communities to create a more dynamic economy, not a more redistributive economy. So we tend to favor policies that reduce taxes and reduce regulations. We fund research on school choice and competition, the idea being that the kinds of educational opportunities that they open up create

more opportunities for marginalized people. We would be happy to increase our funding for these kinds of issues, and on research that in our view will enhance the prospects of marginalized communities.

But this report really presumes how to help marginalized communities, I think, and I don't think there is agreement on that in the philanthropic community. I don't think there is agreement on that in our society as a whole. There is a whole bunch of research that shows different things and is at best inconclusive; a lot of us have different views on it. So I am curious: If we were to increase the kind of funding we are doing for policies that help marginalized communities, would that satisfy your idea of what you want to accomplish with this report?

AARON DORFMAN: Absolutely!

SHERECE WEST: Yes!

AARON DORFMAN: That is one of the most important roles that philanthropy can play in our society—to build a rich, vibrant, democratic, participatory debate about these important issues. We think foundations don't do nearly enough of that kind of funding, and our country and the world would be a better place if more foundations were funding all kinds of advocacy and policy change efforts from all directions.

SHERECE WEST: If we can somehow get rid of the either/or, I would be so appreciative! This isn't either you are a grantmaker that does direct support, or you are a grantmaker that does research, or you are a grantmaker that does the arts, or you are a grantmaker—that's not it! Whatever your domain is, however you go about your grantmaking, this is not a prescription, a "how to" to get to there. It is around aspirational goals and benchmarks for that. We don't offer a prescription. Does the type of grantmaking that your foundation does, the research that you do on behalf of and in support of marginalized communities, meet the criteria? I would say, take the self test that we have online; look at those aspirational goals; and determine for yourself how you will work to achieve them. That's the purpose here. On the surface, from what you described, it's absolutely "Philanthropy at Its Best." That type of research, and funding that type of research, is absolutely imperative for us to address the many of our issues of inequity and the like that I talked about earlier. How you go about that and achieve that, based on these criteria, is up to your organization and what it is that you want to aspire to.

TAMAR CLOYD, Lawyers' Committee for Civil Rights Under Law: What do foundations that are against these *Criteria* give for a reason, particularly with regard to increasing the grant dollars that serve low-income or marginalized communities? What would be the detriment of doing that? Of course, there is this conversation about resisting mandates because they impede on a foundation's ability to do what it wants to do. But nobody is saying what the negative outcome would be of increasing foundations' grants to these marginalized communities to 50 percent of their grants. Adam (Meyerson), could you—? If a foundation decides to do it, what do you think is going to be bad about it?

ADAM MEYERSON: As a requirement of the foundation world in general? We are committed as an institution to helping philanthropists find solutions for America's greatest problems, and

many of those problems have to do with low-income communities not participating in the American dream. And so we encourage philanthropists to support successful efforts that help bring Americans of all backgrounds into being able to participate in the blessings of living in this country. We are entirely in favor of encouraging more philanthropic support for solutions that make that possible.

SHERECE WEST: From my point of view, if you are not intentional, we will continue to have inequities.

WILLIAM SCHAMBRA: I think the chapter on this requirement in particular is quite interesting, because the intentionality, from the standpoint of NCRP, is absolutely critical. There is an argument in the book—as Sherece (West) pointed out and everyone should pay attention to and be prepared to discuss—that because of a structural and institutional history in America, the outcomes that we get from our institutions today, albeit neutral on their face, end up being disproportionate. There are those who have criticized this argument, even in print, but it’s important, I think, for all of us to understand that the argument does have to be addressed—the intentionality and the history of America that is implied in that intentionality.

AARON DORFMAN: The term that we use for that is “targeted universalism,” which Dr. John Powell has really put forward. He is on our research advisory committee. According to the argument, you will see benefits not only for the group that you are targeting but for the broader society as well, but if you work in the reverse it doesn’t always happen; if you attempt to be universalist in your approaches, the benefits don’t always reach all communities.

WILLIAM DIETEL, Dietel Partners: I run a philanthropic advisory company, and I am former president of the Rockefeller Brothers Fund. I found the discussion this afternoon very disappointing. I found it almost on the edge of trivializing some of the very important issues I thought we would hear about. First of all, I would make you a bet, Mr. Meyerson, that this report that upset you will sink out of sight as far as the foundation community is concerned. I find it astonishing that the Council on Foundations and other such organizations did not undertake the work that the National Committee for Responsive Philanthropy undertook. This says something about the irresponsibility of the foundation community.

There is a long history of this. I am probably the only person in the room old enough to remember from personal experience what it was like in the days immediately before the Tax Reform Act of 1969, and right after. The foundations fought the legislation in Washington tooth and nail, and they will do the same with what is proposed here—which is at best modest, measured, and diplomatic. And that is a great and grave source of concern for those of us who represent not just the foundations but the not-for-profit world, the donee organizations that are critical to the future of this country and rely heavily upon the foundation.

The fact of the matter is, people are not going to be creating foundations in the future the way they have in the past. The evidence for that is abundant. Philanthropic dollars are going to go in the direction of donor-directed funds—and for good reason! It’s because those who run foundations are irresponsible, by and large. They hold the nonprofit, the donee, accountable. That’s what they preach. But what they practice is Not In My Backyard.

(Applause.)

WILLIAM SCHAMBRA: Let me just pick a piece of that question out and focus on it, the question of the report's bearing on the future of philanthropy. In other words, what is likely to encourage or discourage donors coming into this field? Adam (Meyerson) and Donn (Weinberg), just to put the question to you first, and then to Sherece (West) and Aaron (Dorfman): Is the NCRP report likely to encourage or discourage new donors entering the field?

DONN WEINBERG: I'll give a shot at it: I don't know. I don't think anyone can know, because when you've met one donor, you've met one donor. I think that donors create foundations or donor-advised funds or whatever for various reasons and with different motivations. I don't think that we can make any generalizations about what effects, if any, this report will have. It's easier to deal with in terms of the question, would people who otherwise would have given *not* give if this report became reflected in the law; if it became a mandate, part of Congressional legislation, an IRS regulation? It's going to depend on the donor. So I don't think anyone truly can answer that.

WILLIAM SCHAMBRA: Adam, do you want to take a shot at it?

ADAM MEYERSON: Donors ultimately want to come into the field because they want to make a difference in the world. They want to cure diseases or provide educational or artistic opportunities for others to share the benefits of the society that they grew up in. I think that those motivations are always going to continue. America has been the most generous and charitable country for two hundred years, and that's going to continue. It's part of our essence as a country.

What we are worried about is, if donors do not believe that they have the freedom to make decisions about how to give their money away, then the opportunity to be a Julius Rosenwald will go away. That's our biggest fear. I think Donn (Weinberg) framed it very well: If this is just a discussion document about how can we have aspirational goals and improve philanthropy, this is not going to be a threat at all. It may even encourage donors to go in certain directions. If it is part of a process to enact these criteria into law and there are threats to limit the charitable deduction to certain kinds of charitable giving, then a report like this would dry up a lot of charitable giving.

AARON DORFMAN: I'd venture to say that our criteria will encourage new philanthropy and new donors, and here's why: I think if more foundations start practicing philanthropy in these ways, they are going to have better results, greater impact, and new potential donors are going to see that they can make a real difference if they create a foundation. They are going to see other foundations that are making real differences on important problems. It's not going to seem like an irrelevant club that doesn't really matter whether they pursue these things or not.

SHERECE WEST: I would agree with that statement, and I hope that a new philanthropy emerges, and that we meet with prospective donors or talk with them about the *Criteria* and about what they can aspire to. Again, I know this is getting a little off the topic, but for the legislative piece; there are a couple of things I would like to say. One, in a policy debate you

need research from many angles and all angles, so I would expect that if this were to go to that level of discussion, that not just NCRP's report but other reports would come up. If NCRP has so much power that we can influence policy in the ways people have suggested here today, then we might think about raising some numbers or having some additional requirements—if we have that much power! In a policy debate we would hear from others around this, and we would even encourage other studies or research or other thoughts around these goals.

WILLIAM SCHAMBRA: We have time for one more question—it's going to have to be very quick, though.

ED HUDGINS, The Atlas Society, the Center for Objectivism: I'm going to offer an individualist alternative and see what your take is on this. If I as an individual, or the foundation I am working with, am passionate about helping individuals directly, marginal groups, fine. If I as an individual am passionate about defending my personal liberty and, by the way, providing opportunity for others, it's also a great cause. If I'm passionate about something else, curing epilepsy, you name it—all great! My concern is this: Isn't it a better model that we each as individuals do the things that we are passionate about; we put our efforts into that; and we welcome that other people are doing their own thing, too? Isn't that market for philanthropy just as important as the free market for economic goods? And isn't that a better model than coming up with artificial percentages, which ultimately I'm afraid the government is going to try to impose upon us because they are destroying civil society?

AARON DORFMAN: We already have the system that you describe; that's what's got us to exactly where we are today! And my opinion is that we can do better, and that we need to do better. That system has resulted in some serious shortcomings, and our criteria are designed to point out what those shortcomings are and to challenge the field to get around those shortcomings.

WILLIAM SCHAMBRA: It does have to be said on behalf of this question that encouraging people to pursue their passions is not what you will hear if you go to a meeting of the Council on Foundations! You will hear more of that at the meetings of groups like the Philanthropy Roundtable, but if you go to the Council on Foundations and the regional associations, pursuing idiosyncratic passions is pretty low on the set of recommendations. Collaborating in mega-projects to cure various problems over the long haul is more their style.

Let's thank our panel for a terrific conversation!

(Applause.)